

Commission on Streamlining Government

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Advisory Group on Outsourcing, Privatization And Risk Management

Minutes Meeting of September 30, 2009

I. CALL TO ORDER

A meeting of the Advisory Group Outsourcing, Privatization and Risk Management at the Louisiana. The Chairman, Roy O. Martin called the meeting to order at 2:10 pm.

II. ROLL CALL

The Secretary Gail Brister noted the following concerning members present:

MEMBERS PRESENT:

Roy O. Martin - Chairman
David Perry

MEMBERS ABSENT:

Rep. Brett F. Geymann
Bill Fenstermaker
Raymond Peters

STAFF PRESENT

Tom Wade - Coordinator
Gail Brister - Secretary

III. WITNESSES PRESENT

William D. Ankner, Department of Transportation and Development
Michael Bridges, Department of Transportation and Development
Vincent Latino, Department of Transportation and Development
Connie Standige, Department of Transportation and Development
Richard L. Savoie, Department of Transportation and Development
Leona Vensor, Rapides Federation of Teachers
Dr. Gary Jones, Superintendent, Rapides Parish School
Janet Dixon, Rapides Parish School Board; District D
Carla Rollins, Louisiana Federation of Teachers

IV. REPORTS AND PRESENTATIONS:

Dr. William D. Ankner, Secretary of the Department of Transportation and Development

V. DISCUSSIONS

Mr. Roy O. Martin opened the meeting by thanking everyone for coming to the Advisory Group meeting on Outsourcing, Privatization and Risk Management. Today we will dispense with Roll Call because we are not going to make any motions today. The only agenda item we have is the approval of minutes which we can do at the next meeting since we don't have a quorum. We are privileged today to have a very special guest, someone who comes to the state of Louisiana with tremendous credentials to lead the Department of Transportation and Development. Dr. William D. Ankner, Secretary with DOTD, is here to speak to us about the initiatives taken to help us drive to and from work and around the state. I have been working close with him on a lot of different things about the Department of Transportation, speaking to contractors in his facilities around the state

Secretary William Ankner thanked the Chairman for the opportunity to speak with him and to talk about his department. We are looking forward to not only partnering with you but also working with the department to streamlining opportunities to learn as well as different approaches to how to take our business. The department is probably the second largest department in this state. We have provided you with a package and would like to quickly go through it. But first let me introduce the people who work with me. To my right is Connie Standige. She has all of the districts under her responsibility, and the fleet and maintenance are part of her responsibilities. She was the former District Administrator in District 62. We have nine districts that serve under her. To Connie's right is Michael Bridges. He is the Undersecretary and Michael is responsible for all of the financing and the administration of the department. I also have here with me Richard Savoy who is the deputy chief engineer, and we also have Vince Latino who is in charge of the movable bridges and bridge management for the maintenance side of our operation. And I have Shawn Wilson who is my confidential assistant and chief of staff.

The information that we are providing you includes some of the things that we know from past discussions are of interest to you; I'm sure there are other things that are of interest, for example with respect to outsourcing with utilities. Some of the information that you have there involves the DOTD in-house versus consultant design study. This is the study that was done by LSU. This was an apples to apples effort on the part of LSU. While it is somewhat dated, it has been reviewed as we move forward. If one looks at a study that was done about four years ago by the Southern Association of State Highways and Transportation Officials, we call it SASHTO, but it was done by the Transportation Research Board of the Gulf States, which is Florida and Virginia over to Louisiana; this also includes Texas, on an administrative cost basis the Department of Transportation in Louisiana is the second best in terms of overhead cost. This was the definite apples to apples comparison. This is an issue that for the Department of Transportation on the issue of streamlining is important to us. It is important for a couple of reasons.

The Department of Transportation does not receive general fund money. The only general fund money we receive has been in two parts: one, surplus projects, that allows us to do capitol projects at 100%; the second source of general fund is the capital outlay program, when we have been

directed by the legislature and the administration to undertake certain capital activities. Those are the only two sources of the general fund dollars. Consequently, we have to live within our revenue stream, that is the trust fund. And that trust fund is constitutionally dedicated to transportation purposes. It is 20 cents and four cents of that 20 cents is dedicated constitutionally to the TIME Program. The other 16 cents is constitutionally dedicated to specific types of general transportation investments, but they need to be state investments. We cannot go out and do local work.

This dedicated funding for the Department of Transportation was established, the 16 cents, in 1984. The value of that 16 cents is now 7 ½ cents. At the same time using the TIME Program, which is why it has gone from two-lane roads to four-lane roads, particularly in your rural areas of the state, which has added significant lanes and miles of responsibility. We have an additional thousand miles of roadway to take care of, as you can see as you drive around and notice the divided highways. You have increased the department's maintenance responsibility. Even if the road is in good shape, the road conditions, that is, the increase in the mileage has a significant impact on mowing and litter pickup and things like that. We have seen a significant increase in the size of our system and we are seeing an decrease in our purchasing power. We have to, therefore, start looking at how we can manage that, so for the last five years the department has been tightening its belt. For the last five years we have seen a 10% cut in our personnel which was basically self imposed. At the same time we have seen our operating budget increase by 29%. The primary driver or the three major drivers are benefits and salary increases of the existing staff. It's also been because no one has diminished our responsibilities. We have had to keep up with our responsibilities and we moved more and more to contracting out. 98% to 99% of our construction is contracted out.

Mr. Martin asked if that figure was new construction?

Dr. Ankner stated that, yes, that was for new construction, major rehabilitation or reconstruction of bridges. We have been contracting out that work. Replacing a bridge is being done by the private sector. We are even contracting out some of our maintenance work, such as resurfacing. That is because we either didn't have the equipment or the operating budget would no longer support that type of operation. At that leads to one of the problems we have in that it becomes very difficult and very expensive; it is very difficult to get a contractor out to do that kind of small patch work.

We have addressed that this year and the way we addressed it is if we contract out the resurfacing as a capital item. The materials, not the labor, but the materials are viewed as a capital item, so we are able to support having the asphalt. That represents a significantly small component of all our activities. On the design side, we are basically at an average of 60% which can go up to as much as 67% for the design. 50% is a good to use for the amount of contracting let out in the design area, whether 50% is the right number or not is certainly an issue within the transportation community with the DOTs. In states that I have been in before, they have moved to numbers in the high 80% range for contracting out the consulting. The downside to that and there is a significant down side is that we don't have the basic staff within the organization to manage the consulting contract. We ended up with the situation where consultants were managing consulting contracts. There is a critical core, whether it is 40% or 35%. I think it is worthy of discussion but you need to retain a certain knowledge base in-house to be successful in managing the contracts. That is also true on the construction site, the construction inspection side. I think it is dangerous when you have consultants managing consultants on inspection of the work; you should have your own people doing

the inspection and have greater control of those individuals. There is a greater direct line of responsibility and management, and you lose that when you bring in consultants to do that work.

I'll give you, as an example, one of the concerns that faced me upon coming here. We have the Audubon Bridge which is part of the Time Program, a major new structure that we are building. It is all design-build, and the private sector design-build team was responsible for quality control. They hired a national firm and what ended up happening to the QC (that's what we call it, quality control) The engineering firm was a very prestigious firm that had done a lot of this kind of work around the country and internationally. Unfortunately for us, the QC team became a sort of resident engineer for the contractor. So instead of doing what we needed, which was to provide the oversight and quality control for us, they didn't show up to report and they didn't show up for different responsibilities that they had as QC.

Mr. Perry asked why?

Dr. Ankner stated that they basically took the report of what the construction folks said they were doing and accepted them as is without looking behind the reports and work to be sure it was all being done right.

Mr. Martin asked how was the contract written? Were they required to show up?

Dr. Ankner stated that they were required to show up, they did not show up, and that is why they got fired. We fired them after a meeting with the chief engineer, and they were given notice that their services were no longer needed through the contractor. We replaced them and any of the work that they did the contractor had to go and prove he had done the work. And it is a little difficult when you have a pier and they pour the concrete in and you have to prove after the fact that it was done properly. We have our own people working on this issue now. It is that kind of lack of direct control when you provide the contractor with that kind of responsibility.

Mr. Martin stated that, just to be perfectly clear, the ire of the Chair was with regard to the statement that the engineering in-house was cheaper than the outside engineering work.

Dr. Ankner stated that he now understands his meaning.

Mr. Martin stated that with regard to DOTs in other states, that he thinks there are a lot of models where the DOTs would take a management perspective, that is, they will hire a contractor to come in and they are the one to do the management of the sight. He agrees with that.

Dr. Ankner stated that this document referred to tries to address the issue of outsourcing and what we do about it. In order to survive this is what we are doing. And we are also doing it where it makes a lot sense where we don't have a continuous kind of operation or where the work requires certain kinds of skill sets. We are not outsourcing construction inspection on routes that we are contracting out.

Mr. Perry asked for a list of the personnel broken down by different departments? Is that in any of the material given to us here?

Mr. Bridges stated that it was part of the presentation that was handed out at the Streamlining Commission meeting. He stated that you can see the number of TO in each one of the boxes. We have a total of 4,704 which is about 450 less than it was four years ago and what is shown here is the TO for each one of the major areas, just kind of broken down for you.

Mr. Martin stated that he also has a list detailing the number of employees but that his list shows 4710 for some reason.

Mr. Bridges stated that 4704 is the approved TO and this does not reflect the recent freeze which reduced our TO by 29. So it is actually less than 4704.

Mr. Perry asked how many are vacant right now, none or are those all full?

Mr. Bridges stated that we had in July when the Governor's Executive Order that came out, we had 29 vacancies and those positions were frozen.

Mr. Martin stated that was very close. You can see on the draft, you can see right here the TO's of the actual hires. They hired a few more people over the past two years; their TO budget numbers have come down but there actual number of people that they pay has come up.

Mr. Bridges stated that if you follow the blue line on the chart, that is the approved TO. That is the one where, back four years ago, we made a conscious effort to downsize because we knew funding was not going to be there. The red line, you see how it plummeted in '05, '06 and '07. That is because we could not hire anybody. We call it the "Katrina affect." We had a tremendous loss and then we have been slowly trying to recover after that happened. And what is happening now is, the past year to eighteen months because of the economy slowing down, people are now coming to look at the jobs, so we have been able to recover.

Dr. Ankner stated that the blue line is a 10% decrease over the last five years. On page four of your package you can see how the operating budgets have changed and you can see the growth of the salaries and benefits. The other changes are the contractual activities. Those kinds of thing, along with the professional services, have been increasing. We are a little under four percent in terms of our administrative costs and this was an apples-to-apples comparison using the federal highway statistics that all states have to use.

Mr. Martin asked what goes into overhead and what goes elsewhere?

Dr. Ankner stated that what goes into overhead includes the buildings, electricity, all of that additional cost as well as the salaries.

Mr. Martin asked about the planning and programming department. Is that accounted for as overhead?

Mr. Bridges stated that the office of the secretary, management, finance, planning and programming and their training operations all are in the numerator and everything else is in the denominator.

Mr. Perry asked if it was 4% of the total budget? Of the total operating budget?

Mr. Bridges stated that it was overall, total.

Dr. Ankner stated you have the capital side involved by responsibilities as well. My deputies and their responsibilities, planning and development, all of that is part of the overhead. They are the ones that do the budgeting, programming, and planning for the future studies.

Mr. Martin stated that he noticed that of the people that you actually hire and pay, the office of the secretary went from twenty-six to sixty-one average employees. What happened there?

Dr. Ankner stated that he brought back into the secretary's office the Inspector General on the internal audit responsibilities and others, and brought them back into the office of the secretary rather than under the undersecretary's office, where they had been before when he came to DOTD.

Mr. Perry asked if they were still within the department?

Dr. Ankner stated there were no additional new offices created. It was simply moving them within the department because he thought it was important that the Inspector General be under him.

Mr. Martin stated that your federal requirements have been one of the things you wanted to discuss so let's talk about that.

Dr. Ankner stated that in terms of compliance the department is driven primarily by the federal government. They have different programs and different reporting requirements and the responsibility for meeting those compliance responsibilities is a critical component of releasing federal funds. We have to not only follow the laws but we have to provide the federal highway division. Each state has a division administrator. There is a lot of working with the contractors in filling out forms. We have to review proposals that are provided to us. That is very time consuming. In order to receive federal funds we have to meet very specific environmental responsibilities to demonstrate that the transportation project that we are going to build does no harm. If it is going to do harm to the environment, we have to show what that harm is and what we are going to do to mitigate that harm. If we are going to affect a water shed or water supply, we need to be able to show how we intent to mitigate that. If we are going to affect an historic site, we need to have a mitigation plan in place that will be acceptable. Those things apply whether or not we are receiving federal funds.

Mr. Martin asked Dr. Ankner if he feels that holds up any progress?

Dr. Ankner said no.

Mr. Martin stated that there are several contractors that would disagree.

Dr. Ankner stated that he understood that and that there were a couple of projects which the Chairman reminded him of where that was the case. But for the most part the answer is no. The real reason we cannot get some of the projects done has nothing to do with the environmental

requirements. It's the money. We simply don't have the financial resources to do them. We now have a \$12.5 billion backlog.

Mr. Martin stated that we are not going to solve that issue here. We just need to throw out the issues for discussion. The number one complaint from different engineering firms of our state involves the testing labs. They feel like they are negatively impacted on their construction jobs by the turn around times at the testing labs. They claim the time is three weeks for getting the test samples tested and the test results back. They claim that in-house testing labs have a turn around time of three to four days and that is something I would like for you to address.

Mr. Perry asked about the core samples?

Dr. Ankner stated that he will attempt to address it but we are a little bit at a loss to fully address it because it depends on the test. Some tests are seven days, some are fourteen days and some are twenty-one days, depending on what is being tested.

Mr. Martin stated he was talking about the normal seven day test.

Dr. Ankner stated that if it is the normal kind of business we are at a loss of where those dates are coming.

Mr. Martin stated that, to clarify, he was saying that the results are getting back three to four days after the required fourteen days or twenty-one days, depending upon what test is being given.

Ms. Standige stated that is something they will have to look into she haven't heard of anybody complaining.

Mr. Martin stated they were doing a good job of insulating you from the complaints because he had no trouble finding that out.

Ms. Standige stated that she would look into the complaints.

Dr. Ankner stated that he was glad that Mr. Martin brought it up and that they would look into it.

Mr. Martin asked if they ever considered going to an ACI standard rather than a Louisiana DOTD standard? Is there any talk about that?

Dr. Ankner stated that one of the reasons, for example, is with regard to the aggregate that we use. We import our aggregate, the materials we use for road beds in this state. What we have here in this state does not meet our specifications. We have to look elsewhere for a source for aggregate. We are bringing in our supplies from northern Mississippi and from Arkansas.

Richard Savoie stated that just yesterday the department approved a new aggregate source for the aggregate we use in our hot mix. It had to do with the friction because we want some good friction numbers because we don't want people skidding all over the highways. Just yesterday, our materials lab at headquarters reported that they have a new aggregate source that will help with competition

which will mean more supply. The issue I think you are talking about, we are working with industry on that, the Louisiana Asphalt Pavement Association, and general contractors. It has to do with testing asphalt samples. This could be one of the issues. They may not have gotten one of the specifics but we are trying to work through that. The Federal Highway Administration, when they are in our projects, play a large role in testing requirements for payment for contracts. Contractors want us to be involved in their business because they want someone else checking what they do. When they lay hot mix, they want to make sure that the hot mix they are laying down on the roadway is a good quantity, that it is 100% pay. But they want DOTD to back up those things so that they know that they are going to get 100% pay and that when they start paving the next day with the same mix design it will be good. We are working with them to try and work through issues of testing. We are talking about the district-wide plant inspectors that we don't have enough of. We have twenty-five asphalt plants statewide that could be working and having people in those plants is becoming a problem. We are trying to work with two super inspectors per district that would visit the plants, monitor the testing that they are doing at the plant for their own contractor and then also taking the samples back to our lab and confirming that the stuff they are putting on the road is 100%.

Mr. Martin asked how you measure the efficiency of a testing lab?

Mr. Savoie stated that it is in the specification for each project.

Mr. Martin asked him how many days late are the test results coming out?

Mr. Savoie stated that is what we are looking at now.

Mr. Savoie stated that the contractor wants to put down mix every day and he wants to put down the same mix as when he first started the project at 100% pay and he wants to do it that way so he does not have to pay a penalty and he does not have to remove that asphalt. They want DOTD to confirm the same test that they are running in the lab at their plant. Because they have the 80% pay in the project, they want DOTD to confirm those contractors results. Those tests have to be run in their labs or that is where they are being run right now.

Mr. Martin asked is that where they are being run right now? That is an interesting point. That could be something you can look at perhaps?

Mr. Savoie stated that it is something that could be run in independent lab. He stated the integrity of the sample is a concern, the right job, the right contractor, the right pay; so we are working through those procedures right now. We are meeting with LAPA now.

Dr. Ankner stated that they look at it as if it is the right thing to do. If you look at Mississippi and Arkansas, Alabama, Texas and Oklahoma, some of our neighbors, all of them do their testing in their own labs. A large part of that is also our federal partner. It requires us to be able to certify. The other thing is there are only fifteen independent certified labs sites in the whole state. In the Alexandria and Shreveport areas, there are only two each. So there are some transporting issues too. One of the other concerns is that the program will shrink and it will shrink because of funding source issues. We are not going to have any surplus coming. The capital outlay funding will be a help for us. We don't expect to have the same level of spending we have been having.

Mr. Martin stated that talking about safety, something that was off the department's radar screen, do you have a performance based plan for your supervisors?

Dr. Ankner stated that they have responsibilities for the department as a whole. There are very specific performance indicators for every job.

Mr. Martin asked if they have safety as a component of that?

Dr. Ankner stated they absolutely could but they do not at this point.

Mr. Bridges stated that the department uses the PPR form. All employees have to go through this process annually and within that you can set up different objectives and one is training. They have to meet certain training requirements during the year.

Mr. Martin asked if there is any penalty for the supervisor? To the supervisor in his organization, that is a big piece of their performance evaluation. Are there any civil service issues with putting that in?

Dr. Ankner stated that it is but there are a number of factors and one is the PPR, and we revised ours to address some of this because there were so many reporting factors that any one individual one is lost in the wash in terms of priorities, so we shrunk the number we put in the PPR. The other part and the reason it didn't rise to my attention in terms of safety, we have a lot of reports and if you look at our major plug, which is the incidents that result in or cause a lot of work-time loss or loss of productive, and if you take all of the injuries with respect to loss of work-time, it is 1.7%, which is not a bad number. In terms of reporting incidence we probably have been very aggressive in that in trying to capture that, and that represents 50% of the workforce. You want to capture these things to get a better understanding of what is going on. We did see that we have a serious problem enough to bring it to my attention.

Mr. Martin said we will look at that at a later date too. Let's talk about a political incorrect thing, the number of districts around the state. The reason I ask is because when you look at the heavy equipment usage and you look around the state, we have forestry districts and we have a lot of equipment all over the place and sometimes the utilization of those pieces of equipment is very poor. My company was able to save a lot of money by outsourcing some of those heavy equipment activities. Looking at your heavy dozers, interpreting that on an average, the annual use on this piece of equipment, seventy-three hours in District 5, forty hours in District 3, seventy-nine hours in track dozers, that could be a two hundred thousand dollar piece of equipment, so if you are only using that piece of equipment a very limited amount of time during the year that might be an opportunity to eliminate that piece of equipment in that district. Would you agree with that statement?

Ms. Standige stated that it could be.

Mr. Martin stated that the report did not have the number of pieces of equipment and he knew that they were working hard. He would like that information to evaluate.

Ms. Standige stated that with regard to the heavy equipment, there is not that much use for the dozer. We don't buy the new dozers; these dozers are probably thirty years old, something that the department has had for a long time. We are not purchasing that kind of equipment because we don't have a big budget to purchase anything like that now. This heavy equipment is at the point it could be twenty-five to thirty years old and we are not replacing it because we don't use them that much. We will just rent one when we need one.

Mr. Martin asked if they still have the operator for that piece of equipment?

Mr. Perry asked if they had an operator designated for that dozer?

Ms. Standige stated that the department has a designated operator for that piece of equipment, but they can move him around.

Mr. Martin stated the committee would take that up at a later date when they get him the number of pieces of equipment so they can look at those and look at utilization by district. Do you need this many districts?

Dr. Ankner stated that is an area that they have been looking at. When the department was going through its organizational analysis, a company was hired to do that. We have looked at closing district offices in Monroe, Lake Charles and Hammond.

Mr. Perry asked if this was a business process?

Dr. Ankner stated they just looked at the department as a whole, and one of the ways they have been downsizing the department is by utilizing the report of this company.

Mr. Martin stated that this was a September 2005 report.

Dr. Ankner stated that it was but that it was a very comprehensive analysis report and it was very helpful to the department. There are some benefits to consolidating districts but not much savings will result.

Mr. Martin asked if the Secretary believes there is not a lot of savings to be gained through combining districts?

Dr. Ankner stated not at the moment.

Ms. Standige stated you see some saving in some of the administrative and business side of it but we still have the maintenance and construction sides of it.

Mr. Perry stated that you might save on buildings and utilities but you might have . . .

Dr. Ankner stated that we will have to keep those facilities for construction and maintenance. We may not have the HR functions there and the billing and accounting, but that would not result in much savings.

Mr. Martin asked when are you going to have a decision on other ideas for savings? Before December 15th or after?

Dr. Ankner stated the answer is not after because we would like to have this done for the commission's report and recommendations.

Mr. Martin asked Dr. Ankner if he was familiar with Texas and its districts?

Dr. Ankner stated they are much larger and more de-centralized, and that is causing them more problems. For example, the new secretary for Florida's DOT and I were together just recently and she is pulling back on some of districts because they have projects on their own and it is causing some heartache.

Mr. Martin stated that Dr. Ankner has recommended getting rid of the department's aircraft.

Dr. Ankner stated yes.

Mr. Martin stated that you recommended to pull back many of the water ferry routes?

Dr. Ankner stated that is correct.

Mr. Perry asked about personnel, pay increases, civil service, and retirement system.

Dr. Ankner stated that at the department we probably have a more steady and long term job workforce. We have people that has served twenty-five, thirty, thirty-five even forty years within the department. We are really not in the best position right now for succession planning. We have a huge gap. We have a very high number of employees that has been there many years and we have a lot of new employees. There is a significant gap in the middle in our talent pool. This is a nationwide problem with DOTs.

Mr. Martin stated that in the next few weeks he would like to come and visit with him at the Baton Rouge office and get into the engineering versus outsourcing of engineering which we will agree to disagree on and some other items. For instance, road hazard litigation reform. He would like to hear his thoughts on that. Maybe this advisory group can help with the district question, looking at the utilization of equipment and personnel in each district and the work loads throughout in the next few weeks.

Dr. Ankner stated he welcomed the visit at the Baton Rouge office. Any of my staff you need to talk to you have free access to within his organization.

Dr. Ankner also wanted to add that their stimulus project ended up getting two hundred and ninety-nine million dollars directly to the state. We need to get fifty percent. We were initially supposed to get it all but the federal government came out with fifty percent after the first one hundred and twenty days and within the first year we will have to have it all done. We have gotten authorization for those two projects. We have delivered projects faster and better for the citizens of this state.

Mr. Perry asked how long he had been the Secretary?

Dr. Ankner stated since February 2008.

Mr. Martin thanked the Secretary.

Mr. Martin moved to add Dr. Gerry Jones to the agenda.

Mr. Perry seconded the motion.

Mr. Martin introduced Mr. Jones. He is the Superintendent of Rapides Parish School.

Dr. Jones stated that he was invited by Mr. Martin to speak. I will tell you about some of the areas that have been traditionally looked at in Louisiana public school districts as far as opportunities for privatizing and outsourcing are concerned. I will tell you that the results have been mixed on them and I will tell you cases where they have been successful. I'll also give you a couple of cases where they have actually done the reverse and found it cheaper to do it in-house rather than outsource it.

Traditionally, the ones that come up most often are transportation services and maintenance. Another one is the provision of food services. Also, custodial services, maintenance and maintenance services. That is basically a pretty broad category. A newer one to come along is substitute teachers and temporary employees. One of the ones our neighboring states have looked at a little bit is the state of Arkansas. They looked at consolidation of school districts a few years ago and the state of Texas did also, and they have something like fourteen hundred school districts. Louisiana only has seventy school districts, so we don't really have any really small districts. The only one is Tensas Parish, with around nine hundred students in the district, and Tensas is probably a target for consolidation just because it is unable to sustain itself.

Mr. Perry asked about the number of students.

Dr. Jones stated that the whole parish has about nine hundred students. At some point they may be faced with the reality that it may not be effective in terms of the services they have to provide, and they may be forced to contract with a neighboring parish to manage their school system.

We have considered outsourcing and privatization for two reason; either it is to save money or because we don't have the capacity to do it ourselves. In the area of transportation, in the last few years in Louisiana we have seen a rise in privatizing companies, like First Student and some others. In the area of privatizing the school bus system, the nearest parish to try this is Natchitoches Parish. We have looked at it here in this parish. Initially it saves money but at the same time you have to look at employees who have worked for many, many years and have planned on retiring and all of a sudden had been faced with losing their jobs.

Mr. Martin asked how is the retirement going away?

Dr. Jones stated that if you have an employee that worked twelve or fourteen year with you, they are not eligible for retirement because it has to be twenty.

Mr. Martin asked if that is under their defined benefit plan?

Dr. Jones stated that what they get are the benefits that are provided by whoever takes over as the private company providing the bus service.

Mr. Perry stated more like a 401K.

Dr. Jones stated right.

Mr. Martin asked if he sees that as a major impediment?

Dr. Jones stated yes, traditionally, it has been a major impediment to it.

Mr. Martin stated that a person puts in twelve or fourteen years and they come away with nothing.

Dr. Jones stated there are cases depending on what the age is and the vesting period. The second part of that is the privatization of the maintenance services of those vehicles, if you privatize the transportation service, as a general rule, you don't have to worry about that because the buses belong to the company that provide the services, so you don't have the capital outlay for the buses.

Mr. Perry stated you would have the money in lump sum for the buses you sold to the private contractors.

Dr. Jones stated that what you find typically is what most district that do that is they don't have a lot of buses that the contractor must buy because that's the reason they go down that road in the first place.

Mr. Perry asked if you could build the right contract, to pick up the routes in increments?

Dr. Jones stated you could and in fact in Rapides Parish we did something similar to that. When he came to the parish, the buses drivers mostly contracted and owned their own buses. Districts got into owning their own buses because they were losing money on the privatized piece of it.

Mr. Martin asked how is it working out in Rapides Parish?

Dr. Jones stated the results were mixed. We basically own our own buses. A couple a years ago we outsourced the maintenance to those buses and it was a very expensive thing for them to do. A couple of years ago we built our own facility and hired our own mechanics.

Mr. Martin asked if the association publishes any cost per mile or cost per student figures? How do you measure that?

Dr. Jones stated there is a national organizational and you can access all kinds or information from that.

Mr. Perry asked where do you see that we can go to save?

Dr. Jones stated there is money to be saved in food services. Some of the universities have contracted with some companies. That's been look at in Louisiana six to seven years ago. Once again, you have employees that have been with you for a long time that you have to consider in that process.

On the custodial services side, we have had a couple of districts in the state that have custodial services. Lafayette Parish, a few years ago, contracted with Marriot. Things were going well at first bit the thing that made it go away is they added a cost of living factor that was built into the contract that escalated the cost significantly over the years. Our employees get pay raises only every five or six years.

With regard to maintenance service, I think you will find most large districts do some outsourcing. For example, in Rapides Parish we have a new management contract. We have a new service contract for maintenance for our HVAC controls for most of our systems. We used to do a significant amount of outsourcing on their repair. Substitute teachers is another one that a lot of districts are turning to for two reason: one is to save money and the other is lack of capacity. It is very hard to maintain a pool of qualified substitute teachers. I would say about fifteen or twenty districts that do.

Mr. Martin asked if that is a need in all seventy school districts?

Dr. Jones stated that a legal issue has surfaced with one district because one of these contracted persons actually closed the door to the classroom on one of the child's hand and when they got sued the understanding of the district was that the contractor had insurance for the employees. But the school board ended up carrying the whole thing because the contractor refused to accept any responsibility for the damage.

Mr. Martin stated that the way the contract is written is very important.

Mr. Martin asked how many people he has in the home office who select textbooks?

Dr. Jones stated that he has one person that's responsible for that. The state publishes a list of acceptable textbooks and the district adopts the textbooks.

Mr. Martin stated that he has always found it interesting that they change textbooks a good bit.

Dr. Jones stated that they used to change textbooks every five years; now they are out of date two weeks after you get them.

Mr. Martin stated it depends on what subject.

Dr. Jones stated they are moving more and more away from textbooks and moving to computers.

Mr. Martin asked about printing.

Dr. Jones stated that most districts do not have their own printing operation. Most do out their printing through a printer. In Rapides Parish we have a small print shop with three employees. One of the things we do now in that area is we adopted a parish-wide copier contract and we have the ability to image all of our forms on the individual copier at the school sites. It is so wasteful to print large numbers of items. What we do now is go to the printer and print the one you need. We have negotiated the price per copy on our copy machines and we've done it district-wide.

Mr. Martin asked about leasing computers. At Bolton, all the students have a computer.

Dr. Jones state that the thing about computers is their useful life. We get about four years useful life out of them and by the time the lease is over it is not worth anything away. We are moving more to Dell Mini Books.

Mr. Martin asked what is his wish list for the state of Louisiana?

Dr. Jones stated that this is not a ten year process. We haven't had a balanced budget and we can't work two consecutive years without getting cited, so every year we have to evaluate our budget and get inside to see where we can trim. When I first came to this parish they were about three and a half million dollars in the hole and then a few months later I was told it was actually eleven. But I will tell you that we are operating with a standstill budget because we have lost the little 2.75% increase, all the districts lost that this year. We have recently changed all the light bulbs to those new efficiency bulbs, we are continually looking for changes and opportunities to save money.

Mr. Perry stated that in the paper that Calcasieu Parish was getting on Johnson Controls about their lack of service to them.

Dr. Jones stated it is a mixed thing and you have to watch. We just recently applied and got three million dollars worth of construction money at one percent interest for the next ten years so we can finance our capital outlay for the most part.

Mr. Martin asked how did they do that?

Dr. Jones stated through a federal program. The state of Louisiana got \$17 billion, and we asked for three million this year, and we will ask for another three next year. The problem is you have to find one of the banks that is willing to help you with that, and we were able to get it.

Mr. Perry thanked him for his service. Is there something we need to look at or the legislature needs to look at?

Dr. Jones asked if it is just money your talking about?

Mr. Martin stated effectiveness.

Dr. Jones stated that there is a human cost that goes with some of these thing, and he would caution that most of the things that came up in terms of mandates came up for a reason. Some of the things he feels are a waste of taxpayers' money is the duplication of services and facilities.

Mr Jones stated he has fifty-three school campuses in Rapides Parish and yet the parish government has duplicated a lot of things, like parks and recreations. I have gyms in a lot of places and so does the parish. We can share those facilities. In Alexandria and Rapides Parish, we are doing a lot of collaboration to help us save money and provide better facilities. There is a lot of opportunities here. We are right now doing a new school in Woodworth. We closely collaborated with the mayor of Woodworth to get the bond issue through.

They have swimming pools; I have swimming pools. Before coming here I met with LSU-AG about the possibility of sharing technology for their teachers. They are preparing to have access to the technology; we can share facilities for that and save money and provide better facilities at the same time.

Dr. Jones stated that he is trying to get the school board office to move away from a compliance model to an enabler model.

Mr. Martin stated they have to work together in this time of budget crisis to make things work. We are touching so many peoples lives. I get them out of high school and they can't even pass the sixth grade math assessment test I give prospective employees before I will let them come to work for me. It just breaks my heart.

Dr. Jones stated we are accountable for our product and that if they can't pass the test, he needs to send them back to him and he will work with them on that.

Mr. Martin asked about the Mind Groups program.

Dr. Jones stated they do some things through them.

Mr. Martin stated that is something that he is glad he reminded him of. That is something that we could actually get involved with, having groups of parishes get together and have better purchasing power by working together.

Dr. Jones stated that the athletic departments band together to do their own purchasing, some districts have gone to district-wide purchasing.

Mr. Martin stated that is a good idea.

Dr. Jones said they need to do more collaborating on libraries. They have two libraries on every high school campus. Why am I building a branch library down the street from it with his tax dollars? Why wouldn't it make more sense to share the money for collections and build a library both of can use instead of two separate facilities.

Mr. Martin stated there needs to be some type of clearing house, for instance, for projects to go through in the needs-assessment process.

Dr. Jones talked about the live homework service.

Mr. Martin thanked Dr. Jones for coming and sharing his thoughts with the committee.

Leona Vensor, with the teachers federation, stated that at the top of her wish list is the MFP being fully funded. The MFP is the mechanism that funds public education in the state. It is the minimum foundation program, and in Louisiana we have for too long gotten by with minimum funding in education. Our facilities are falling apart and we don't have money for textbooks. We need to be putting more money into education so that we can get more out of it.

Mr. Martin stated that he is into education. He helps with high school programs from his business and one thing he is very conscious of is how much money is actually spent in the classroom on classroom teachers as compared to that spent on administration. That is an area that this committee could look at and make some good recommendations to help with that.

Mrs. Vensor spoke about tally marks, explained them, and expressed her frustration as to the emphasis placed on them by administrators in the school system.

Mr. Martin stated that in his program in the school they are helping students, and all of them are doing very well on assessments. He has three fantastic teachers. He is getting fantastic things out of the ones that make the cut. The money goes directly to the problem and gives good results. It is amazingly cheap.

Ms. Vensor stated that it is all about funding and about the true cost of education.

Mr. Martin stated we have a billion dollar problem next year and a two billion dollar problem the year after that and it is basically because of Medicaid and Medicare reimbursement.

Ms. Carla Rollins, with the teachers federation, stated that she appreciated the opportunity to speak again today and she is glad to hear more of what they are saying today. She said that it was said this is not about cutting but being more effective. She thinks in terms of when people hear about outsourcing and that means people are going to lose their jobs.

Mr. Martin stated that no recommendations had been made yet, and that the group was still gathering information.

Janet Dixon, member of the Rapides Parish School Board, wanted to thank the group for coming to Alexandria and that she enjoyed both days and learned quite a bit about the process and how it would impact our lives.

Mr. Perry stated how fortunate we were to have Mr. Martin here because there are not many corporate people that will give up their time.

Mr. Martin stated that ten years ago their school board was in complete turmoil. Now we have a very together community that is working hard for our school system. We have a very good school board that cares about our children. I'm not going to guarantee that we are going to make everybody happy but we are going to try to do our job.

VI. ADJOURNMENT

Mr. Martin, the Chairman, stated that since there was no further business to come before the committee, the meeting was adjourned. The meeting was adjourned at 4:10pm.

Roy O. Martin, Chairman

10-07-09
Date Approved